

Guidelines for a Community Economic Development Business Plan

The application must contain a detailed and specific workplan or business plan that is both sound and feasible. Generally, a business plan is required for applications submitted under priority areas 1, 2, 3 and 4. For all business ventures (except for business development opportunities for self-employed programs participants) a complete business plan will be required using guidelines discussed in the next several paragraphs. For the remaining priority areas, a workplan is acceptable in lieu of a business plan.

Please note that OCS does not require the application to contain business plans for each self-employed program participant. However, a project that proposes to provide self-employed and other business opportunities for program participants must include a development plan that shows how participants will become self-sufficient and how their technical assistance needs will be met.

Guidelines of a Business Plan

The business plan is one of the major components that will be evaluated by the OCS to determine the feasibility of a business venture or an economic development project. It must be well prepared and address all the relevant elements as follows:

- (a) EXECUTIVE SUMMARY (limit summary to 3 pages)
- (b) The business and its industry. This section should describe the nature and history of the business and provide some background on its industry.
 - (i) The Business: as a legal entity; the general business category;
 - (ii) Description and Discussion of Industry: current status and prospects for the industry.
- (c) Products and Services: This section deals with the following:
 - (i) Description: Describe in detail the products or services to be sold;
 - (ii) Proprietary Position: Describe proprietary features if any of the product, e.g., patents, trade secrets;
 - (iii) Potential: Features of the product or service that may give it an advantage over the competition;
- (d) Market Research and Evaluation: The applicant should consider businesses in growth industries and occupations with skill levels accessible to low income persons. Businesses should be identified by Standard Industrial Codes (SIC) and jobs by

occupational classifications. This information is published by the U.S. Department of Commerce in the "Statistical Abstract of the United States, 1996", Table No. 646 and 647. This section should present sufficient information to show that the product or service has a substantial market and can achieve sales in the face of competition;

(i) Customers: Describe the actual and potential purchasers for the product or service by market segment.

(ii) Market Size and Trends: State the size of the current total market for the product or service offered;

(iii) Competition: An Assessment of the strengths and weaknesses of competitive in the current market;

(iv) Estimated Market Share and Sales: Describe the characteristics of the product or service that will make it competitive in the current market;

(e) Marketing Plan: The marketing plan should detail the product, pricing, distribution, and promotion strategies that will be used to achieve the estimated market share and sales projections. The marketing plan must describe what is to be done, how it will be done and who will do it. The plan should address the following topics--Overall Marketing Strategy, Packaging, Service and Warranty, Pricing, Distribution and Promotion.

(f) Design and Development Plans: If the product, process or service of the proposed venture requires any design and development before it is ready to be placed on the market, the nature and extent and cost of this work should be fully discussed. The section should cover items such as Development Status and Tasks, Difficulties and Risks, Product Improvement and New Products, and Costs.

(g) Manufacturing and Operations Plan: A manufacturing and operations plan should describe the kind of facilities, plant location, space, capital equipment and labor force (part and/or full time and wage structure) that are required to provide the company's product or service.

(h) Management Team: The management team is the key in starting and operating a successful business. The management team should be committed with a proper balance of technical, managerial and business skills, and experience in doing what is proposed. This section must include a description of: the key management personnel and their primary duties; compensation and/or ownership; the organizational structure; Board of Directors; management assistance and training needs; and supporting professional services.

(i) Overall Schedule: A schedule that shows the timing and interrelationships of the major events necessary to launch the venture and realize its objectives. Prepare, as part of this section, a month-by-month schedule that shows the timing of such activities

as product development, market planning, sales programs, and production and operations. Sufficient detail should be included to show the timing of the primary tasks required to accomplish each activity.

(j) Critical Risks and Assumptions: The development of a business has risks and problems and the Business Plan should contain some explicit assumptions about them. Accordingly, identify and discuss the critical assumptions in the Business Plan and the major problems that will have to be solved to develop the venture. This should include a description of the risks and critical assumptions relating to the industry, the venture, its personnel, the products market appeal, and the timing and financing of the venture.

Also, if a "construction project" is involved, the Business Plan should identify and address briefly the project's timeframes and critical assumptions for conduct of predevelopment, architectural/engineering and environmental studies, etc., and acquisition of permits for building, use and occupancy that are required for the project.

(k) Community Benefits: The proposed project must contribute to economic, human and community development within the projects targets area. A section that describes and discusses the potential economic and non-economic benefits to low income members of the community must be included as well as a description of the strategy that will be used to identify and hire individuals being served by public assistance programs and how linkages with community agencies/organizations administering the AFDC/TANF program will be developed. The following project benefits must be described.

Economic Development and Job Creation

Number of permanent jobs (with particular emphasis on jobs for low-income people) that will be created during the project period. Also, for low-income people, provide the following information:

--Number of jobs that will have career development opportunities and a description of those jobs;

--Number of jobs that will be filled by individuals lifted from AFDC/TANF assistance;

Number of Self-employed and other ownership opportunities created for low-income residents;

--Annual salary expected for each person employed (net profit after deductions of business expenses for self-employed persons);

--Specific steps to be taken including on-going management support and technical assistance provided by the grantee or a third party to develop and sustain self-employed program participants after their businesses are in place.

Note: OCS will not recognize job equivalents nor job counts based on economic multiplier functions; jobs must be specifically identified.

Other benefits, which might be discussed, are;

Human Development

--New technical skills development and associated career opportunities for community residents;

--Management development and training;

--Benefits of self-sufficient for persons lifted from AFDC/TANF assistance.

Community Development

--Development of community's physical assets;

--Provisions of needed, but currently unsupplied, services or products to community;

--Improvement in the living environment.

(1) The Financial Plan: The Financial Plan is basic to the development of a Business Plan. Its purpose is to indicate the project's potential and the timetable for financial self-sufficiency. In developing the Financial Plan, the following exhibits must be prepared for the first three years of the business' operation:

(i) Profit and Loss Forecasts--quarterly for each year;

(ii) Cash Flow Projections--quarterly for each year

(iii) Pro forma balance sheets--quarterly for each year;

Also, additional financial information for the business operation that must be included are an initial Source and Use of Funds Statement for project funds and a brief summary paragraph discussing any further capital requirements and their sources.

If an applicant is proposing a project which will affect a property list in, or eligible for inclusion in the National Register of Historic Places, it must identify this property in the narrative and explain how it has complied with the provisions of Section 106 of the National Historic Preservation Act of 1996 as amended. If there is any question as to whether the property is listed in or eligible for inclusion in the National Register of Historic Places, the applicant should consult with the State Historic Preservation Officer. The applicant should contact OCS early in the development of its application for instructions regarding compliance with the Act and data required to be submitted to the Department of Health and Human Services. Failure to comply with the cited Act may result in the application being ineligible for funding consideration.

Applicable to Priority Areas 1, 2, 3 and 4

Applications submitted under Priority Areas 1, 2, 3 and 4 which propose to use the requested OCS funds to make an equity investment or a loan to a business concern, including a wholly-owned subsidiary, or to make a sub-grant with a portion of OCS funds, must include a written agreement between the community development corporation and the recipient of the grant funds which contains all of the elements listed in Part C under the appropriate Priority Area and relative experiences in working with community development corporations.

Job Opportunities for Low Income Individuals Program Business Plan

The business plan is one of the major components that will be evaluated by OCS to determine the feasibility of a jobs creation project. A business plan must be included if, the applicant is proposing to establish a new identified business, or if the applicant will be providing assistance to a private third party employer for the development or expansion of a pre-identified business.

The following guidelines were written to cover a variety of possibilities regarding the requirements of a business plan. Rigid adherence to them is not possible nor even desirable for all projects. For example, a business plan for a service business would not require discussion of manufacturing nor product designs. Therefore, the business plans should be prepared in accordance with the following guidelines:

1. The business and its industry. This section should describe the nature and history of the business and include background on its industry.
 - a. The Business: as a legal entity; the general business category;
 - b. Description and Discussion of Industry: Current status and prospects for the industry.
2. Products and Services: This section deals with the following:
 - a. Description: Describe in detail the products or services to be sold;
 - b. Proprietary Position: Describe proprietary features, if any, of the product, e.g. patents, trade secrets; and,
 - c. Potential: Features of the product or service that may give it an advantage over the competition.
3. Market Research and Evaluation: This section should present sufficient information to show that the product or service has a substantial market and can achieve sales in the face of competition;
 - a. Customers: Describe the actual and potential purchasers for the product or service by market segment;
 - b. Market Size and Trends: State the size of the current total market for the product or service offered;
 - c. Competition: An assessment of the strengths and weaknesses of competitive products and services; and,

- d. Estimated Market Share and Sales: Describe the characteristics of the product or service that will make it competitive in the current market.
4. Marketing Plan: The marketing plan must describe what is to be done, how it will be done and who will do it. The marketing plan should detail the product, pricing, distribution, and promotion strategies that will be used to achieve the estimated market share and sales projections. The plan should address the following topics - Overall Marketing Strategy, Packaging, Service and Warranty, Pricing, Distribution and Promotion.
 5. Design and Development Plans: This section of the plan should cover items such as Development Status, Tasks, Difficulties and Risks, Product Improvement, New Products and Costs. If the product, process or service of the proposed venture requires any design and development before it is ready to be placed on the market, the nature and extent and cost of this work should be fully discussed.
 6. Manufacturing and Operations Plan: A manufacturing and operations plan should describe the kind of facilities, plant location, space, capital equipment and labor force (part and/or full time and wage structure) that are required to provide the company's product or service.
 7. Management Team: This section must include a description of: the key management personnel and their primary duties; compensation and/or ownership; the organizational structure; Board of Directors; management assistance and training needs; and, supporting professional services. The management team is key in starting and operating a successful business. The management team should be committed with a proper balance of technical, managerial and business skills, and experience in operating the proposed business.
 8. Overall Schedule: This section must include a month-by-month schedule that shows the timing of such major events, activities and accomplishments involving product development, market planning, sales programs, and production and operations. Sufficient detail should be included to show the correlation between the timing of the primary tasks required to accomplish each activity.
 9. Critical Risks and Assumptions: This section should include a description of the risks and critical assumptions/problems relating to the industry, the venture, its personnel, the product's market appeal, and the timing and financing of the venture. Identify and discuss the critical assumptions/problems to overcome in the Business Plan. Major problems must clearly identify problems to be solved to develop the venture.

10. Community Benefits: The applicant should describe how the proposed project will contribute to the local economy, community and human economic development within the project's target area.

11. The Financial Plan: The Financial Plan is basic to the development of a Business Plan. Its purpose is to indicate the project's potential and the timetable for financial self-sufficiency of the business. In developing the Financial Plan, the following exhibits must be prepared for the first three years of the business' operation:

- a. Profit and Loss Forecasts-quarterly for each year;
- b. Cash Flow Projections-quarterly for each year;
- c. Pro forma balance sheets-quarterly for each year;
- d. Initial sources of project funds;
- e. Initial uses of project funds; and
- f. Any future capital requirements and sources.

12. Facilities:

If rearrangement or alteration of existing facilities is required to implement the project, the applicant must describe and justify such changes and related costs.